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THE SOVIET POSITION ON THE MALAYSIAN FEDERATION

1. The following assessment of the Soviet position on the Malaysian Federation is based on all material to us including the relatively few hard intelligence reports which indicate Soviet interference.

2. The Soviet Union clearly opposes the proposed Malaysian Federation; this is evidenced in both its propaganda and in private conversations between Soviet officials and Southeast Asian leaders. Since May 1962 Soviet propaganda broadcasts, largely to Indonesia, have voiced opposition to the Federation claiming that it is a colonialist plot and lauding Indonesia's support of the "North Borneo struggle." Several broadcasts have also pictured the Federation as a "threat" to Indonesia. An additional element noted in a recent Moscow broadcast to Indonesia, obviously designed to recall the abortive 1958 rebellion, refers to the Western "intent" to establish SEATO bases on the borders of Indonesia. "The West hopes that by operating from these bases it can once more create a reactionary rebellion in Indonesia in an attempt to wrest from Indonesia a major part of Kalimantan for the sake of the Malaysian federation...."

3. Soviet opposition is based on several factors. The USSR certainly would oppose the formation of a new state which would be stronger than its various parts and very pro-Western. Moscow supported Indonesia in its West Irian adventure through propaganda and the supply of arms. Its present support of Indonesia's position against the Malaysian Federation furthers Indonesian indebtedness to the Soviet Union while at the same time providing backing for Indonesia in its efforts to disrupt the Federation. In addition, Soviet support of Indonesian opposition to the Federation places the United States in somewhat of a dilemma in its relations with Indonesia. The US publicly supports the British proposal for the Federation which, in effect, denies Indonesian aspirations for territorial expansion.

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5. The Soviet Union's massive military aid to Indonesia was an important factor in enabling Indonesia to win a diplomatic victory in West Irian. How effectively the Indonesians can use these arms is still in question, but they remain as a Soviet-supplied threat to the Federation.

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7. Late last year the Indonesians reportedly claimed they were under "Soviet bloc" pressure to take "action" in Northern Borneo, and that the Soviets had assured them of full support for Indonesia's struggle against "British imperialism on Borneo." It is doubtful, however, that Moscow is urging an all-out military attack which it would be willing to back up with armed aid. It is more likely that Soviet support for Indonesia would take the form of propaganda and diplomatic backing as well as a continuation of arms deliveries and military training.

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